

CARROLL COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Independent Auditor's Reports  
Financial Statements and  
Required Supplementary Information  
Schedule of Findings

June 30, 2007

# CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4
Management's Discussion and Analysis	5 - 10
Financial Statements:	
Statement of Net Assets	11
Statement of Revenues and Expenses	12
Statement of Changes in Net Assets	13
Statement of Cash Flows	14
Notes to Financial Statements	15 - 23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24 - 25
Schedule of Findings	26 - 27
Audit Staff	28

## CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dr. Robert Christensen	Chairperson	City of Carroll
Marty Danzer	Member	Carroll County
Keith Dorpinghaus	Member	City of Coon Rapids
Edgar Hunt	Member	City of Lanesboro
Gary Knueven	Secretary-Treasurer	City of Manning
Mary Wittry	Director	
Muriel McDermott	Office Manager	

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Carroll County Solid Waste  
Management Commission

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2007 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

OLSEN, MUHLBAUER & CO., L.L.P.  
Certified Public Accountants

Carroll, Iowa  
October 19, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
  - ~ source reduction
  - ~ recycling
  - ~ energy recovery
  - ~ volume reduction
  - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper solid waste management.

### Financial Highlights

- The Commission's operating revenues increased 5%, or \$99,655 from fiscal 2006 to fiscal 2007. Tipping fees and product sales both showed increases.
- The Commission's operating expenses were 18%, or \$296,560 more in fiscal 2007 than in fiscal 2006. The increase is due in large part to the closure project on the original landfill area.
- The Commission's net assets increased 5%, or \$276,721, from June 30, 2006 to June 30, 2007.

### Using This Annual Report

The Carroll County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as shown on the following page.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using This Annual Report (Continued)

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

### Financial Analysis of the Commission

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2007 totaled approximately \$6,087,000. This compares to approximately \$5,811,000 for fiscal 2006. A summary of the Commission's net assets is presented below:

Net Assets		
	June 30,	
	<u>2007</u>	<u>2006</u>
Current Assets	3,405,940	3,407,459
Restricted Investments	1,089,662	1,038,473
Capital Assets at Cost, Less Accumulated Depreciation	<u>2,737,164</u>	<u>2,720,769</u>
Total Assets	<u>7,232,766</u>	<u>7,166,701</u>
Current Liabilities	359,092	506,878
Noncurrent Liabilities	<u>786,273</u>	<u>849,143</u>
Total Liabilities	<u>1,145,365</u>	<u>1,356,021</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,737,164	2,670,768
Restricted	1,089,662	1,038,473
Unrestricted	<u>2,260,575</u>	<u>2,101,439</u>
Total Net Assets	<u>6,087,401</u>	<u>5,810,680</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Commission (Continued)

The largest portion of the Commission's net assets (45%) is represented by investments in capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount restricted for closure and post closure care is \$1,089,662. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Unrestricted net assets also include \$1,285,407 designated landfill expansion funds.

### Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses include interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2007, and 2006 is presented below:

Changes in Net Assets		
	Year Ended June 30, 2007	2006
Operating Revenue		
Tipping Fees	1,130,294	1,081,932
Community Assessments	254,000	254,000
Product Sales and Processing Fees	636,752	585,680
Other Operating Revenues	59,703	59,482
Total Operating Revenue	2,080,749	1,981,094
Operating Expenses		
Salaries	380,105	370,518
Employee Benefits	130,914	153,700
Machinery Maintenance, Labor and Parts	94,499	122,699
Oil and Gas	73,882	70,215
Long Range Planning and Engineering	91,119	76,366
Site Maintenance	34,293	9,976
Site Utilities	39,798	39,482
Office Expense	8,109	6,267
Training and Travel	5,819	6,504
Legal and Accounting	10,968	13,868
Insurance	38,855	43,584
Closure and Postclosure Care Costs	295,943	100,895

(Continued)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Revenues, Expenses and Changes in Net Assets (Continued)

Changes in Net Assets		
	Year Ended June 30,	
	<u>2007</u>	<u>2006</u>
Operating Expenses		
Planning and Recycling Expenses	46,239	43,676
Iowa Department of Natural Resources Tonnage Fees	105,884	107,812
Depreciation	474,434	352,025
Non-capitalized Equipment and Supplies	30,381	41,448
Contracted Services	84,845	92,546
Miscellaneous	21,878	19,824
Total Operating Expenses	<u>1,967,965</u>	<u>1,671,405</u>
Operating Income	<u>112,784</u>	<u>309,689</u>
Non-operating Revenues (Expenses)		
Sale of Equipment	0	3,061
Interest Income	170,732	134,393
Interest Expense	<u>(6,795)</u>	<u>(2,622)</u>
Net Non-operating Revenue	<u>163,937</u>	<u>134,832</u>
Increase in Net Assets	276,721	444,521
Net Assets Beginning of Year	<u>5,810,680</u>	<u>5,366,159</u>
Net Assets End of Year	<u><u>6,087,401</u></u>	<u><u>5,810,680</u></u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2007, operating revenues increased by \$99,655, or 5%, primarily a result of tipping fees increasing by approximately \$48,000 due to a increase in the volume of collections, and the recycling center generated \$87,000 more revenue. Operating expenses increased by \$296,560, or 18%. Personnel costs decreased by approximately \$13,000.

### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes tipping fees, assessments and recycling reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets

At June 30, 2007 the Commission had approximately \$5,777,000 invested in capital assets, net of accumulated depreciation of approximately \$3,040,000. Depreciation charges totaled \$474,434 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

### Long-term Debt

At June 30, 2007, the Commission's does not have any outstanding debt, a decrease of \$50,000 from 2006. In addition, the Commission has recorded an estimated liability for the current cost of closure and post-closure care in the amount of \$786,273 for 2007 and \$839,143 for 2006. The table below summarizes outstanding debt by type.

	June 30,	
	<u>2007</u>	<u>2006</u>
Bank Notes Payable	0	0
Note Payable - Iowa DNR	<u>0</u>	<u>50,000</u>
Total	<u><u>0</u></u>	<u><u>50,000</u></u>

Additional information about the Commission's long-term debt is presented in Notes 4 and 5 to the financial statements.

### Economic Factors

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Mandatory annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge. Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The Commission is in a position to accept additional solid waste from other counties who decide to transfer waste rather than build a Subtitle D lined cell. The Iowa Department of Natural Resources has mandated that all permitted landfills will start placing waste on a lined cell by October 1, 2007.
- The Commission stopped burying waste in the original landfill area as of July 2006. The area consists of 31.2 acres and closure of this area started in the fall of 2006, and will be completed by fall of 2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Commission built its second Subtitle D cell in the summer of 2006 with the cost of the construction project being paid from the future expansion account.
- Commission staff will continue to monitor the new proposed Chapter 113 rules – Sanitary Landfills – Municipal Solid Waste. The proposed rules will have a substantial financial impact on the Commission's budget.
- The tipping fee of \$37 per ton for disposal of solid waste and the assessment fee of approximately \$11.85 per capita will remain the same for 2007 – 2008.
- A life cycle cost analysis was completed in fiscal year end 2007, which gave the Commission a long-term financial picture using current information. The analysis will be completed on an annual basis.

It is estimated that airspace available to continue disposal operations will be available through 2040 with the current waste flow. To save airspace, the Commission purchased a "Tarpomatic" system to cover the area where garbage is placed. By law, garbage must be covered with six inches of dirt at the end of the day or an alternative cover must be used. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2007 is \$1,285,407.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa, 51401.

# CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Net Assets

June 30, 2007

### Assets

#### Current Assets

Cash and Cash Equivalents	819,510
Certificate of Deposit	2,324,394
Accounts Receivable (Net of Allowance \$1,460)	166,625
Interest Receivable	60,851
Inventory	17,070
Prepaid Assets	17,490

Total Current Assets		3,405,940
----------------------	--	-----------

#### Noncurrent Assets

##### Capital Assets:

Land	426,470
Buildings	1,363,409
Landfill Improvements	1,801,707
Landfill Equipment	1,248,877
Recycling Equipment	912,050
Office Equipment	24,106
Less: Accumulated Depreciation	(3,039,455)

2,737,164

##### Restricted Investments

1,089,662

Total Noncurrent Assets		3,826,826
-------------------------	--	-----------

Total Assets		7,232,766
--------------	--	-----------

## Liabilities and Net Assets

### Current Liabilities

Accounts Payable	199,895
Contract Payable	154,337
Accrued Compensated Absences	3,434
Accrued Expenses	<u>1,426</u>

Total Current Liabilities		359,092
---------------------------	--	---------

### Noncurrent Liabilities

Landfill Closure and Postclosure Care Costs	<u>786,273</u>
---	----------------

Total Noncurrent Liabilities		<u>786,273</u>
------------------------------	--	----------------

Total Liabilities		<u>1,145,365</u>
-------------------	--	------------------

### Net Assets

Invested in Capital Assets, net of Related Debt	2,737,164
Restricted For:	
Closure and Postclosure Care	1,089,662
Tonnage Fees Retained	0
Unrestricted	<u>2,260,575</u>

Total Net Assets		<u><u>6,087,401</u></u>
------------------	--	-------------------------

The accompanying notes are an integral part of these financial statements.

# CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Revenues and Expenses For Year Ended June 30, 2007

### Operating Revenues:

Tipping Fees	1,130,294
Community Assessments	254,000
Outside County Processing Fees	96,879
Product Sales	539,873
Farm Rent & Miscellaneous	14,739
DNR Fees Retained - Groundwater Protection	44,964
	<hr/>
	2,080,749

### Operating Expenses:

Salaries	380,105
Employee Benefits	130,914
Advertising	13,165
Amortization and Depreciation	474,434
Cleaning	3,506
Closure and Postclosure Care Costs	295,943
Drop Box Service	33,074
Education and Training	1,576
Long Range Planning and Engineering	91,119
Fuel	73,882
Freight	6,690
Insurance	38,855
Iowa DNR Tonnage Fee	105,884
Legal and Accounting	10,968
Miscellaneous	21,878
Office Supplies	5,283
Outside Services	57,963
Repairs and Improvements	94,499
Site Maintenance	34,293
Supplies - General	30,381
Telephone	2,826
Toxic Waste Fees	16,686
Travel	4,243
Utilities	39,798
	<hr/>
	1,967,965

Operating Income	<hr/>	112,784
------------------	-------	---------

### Other Income (Expenses)

Interest Income	170,732
Interest Expense	(6,795)
	<hr/>
	163,937

Increase in Net Assets	<hr/>	276,721
------------------------	-------	---------

The accompanying notes are an integral part of these financial statements.

# CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Changes in Net Assets For Year Ended June 30, 2007

			<u>Restricted</u>		
	Unrestricted Operating <u>Fund</u>	Investment in Capital <u>Assets</u>	<u>Regulatory Requirements</u>	DNR Fees Retention <u>Fund</u>	<u>Total</u>
Balance-					
Beginning of Year	2,101,438	2,670,769	1,038,473	0	5,810,680
Increase in Net Assets	225,217	0	51,189	315	276,721
Transfers (Net)	<u>(66,080)</u>	<u>66,395</u>	<u>0</u>	<u>(315)</u>	<u>0</u>
Balance - End of Year	<u><u>2,260,575</u></u>	<u><u>2,737,164</u></u>	<u><u>1,089,662</u></u>	<u><u>0</u></u>	<u><u>6,087,401</u></u>

The accompanying notes are an integral part of these financial statements.

# CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Cash Flows For Year Ended June 30, 2007

Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	1,129,822	
Cash Received from Assessments	254,000	
Cash Received from Product Sales and Processing Fees	640,955	
Cash Received from Other Operating Receipts	59,703	
Cash Paid to Suppliers for Goods and Services	(937,180)	
Cash Paid to Employees for Services	(510,541)	
	<hr/>	
Net Cash Provided by Operating Activities		636,759
Cash Flows from Capital and Related Financing Activities:		
Loan Proceeds	240,000	
Principal Paid on Loans	(290,000)	
Interest Paid on Loans	(6,795)	
Deposit on Contract	20,000	
Contract Payable	154,337	
Purchase of Property and Equipment	(855,644)	
	<hr/>	
Net Cash Used by Capital and Related Financing Activities		(738,102)
Cash Flows from Investing Activities:		
Redemption of Certificates of Deposit - Unrestricted	634,225	
Purchase of Certificates of Deposit - Restricted	(51,189)	
Purchase of Certificates of Deposit - Unrestricted	(416,980)	
Interest Received	140,263	
	<hr/>	
Net Cash Provided by Investing Activities		306,319
Net Increase in Cash		204,976
Cash and Cash Equivalents at Beginning of Year		614,534
Cash and Cash Equivalents at End of Year		<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		112,784
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	474,434	
Closure and Postclosure Costs	(52,870)	
Changes in Assets and Liabilities:		
(Increase) Accounts Receivable	(472)	
Decrease Inventory	2,055	
(Increase) Prepaid Assets	(1,862)	
Increase Accounts Payable	103,601	
(Decrease) Accrued Compensated Absences	(911)	
	<hr/>	
Total Adjustments		523,975
Net Cash Provided by Operating Activities		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

# CARROLL COUNTY SOLID WASTE MANAGEMENT

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies

#### Organization

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized pursuant to the provisions of Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general federal census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units, which meet the Governmental Accounting Standards Board criteria.

#### Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.



## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Notes to Financial Statements June 30, 2007

#### Note 1 - Summary of Significant Accounting Policies (Continued)

##### Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements as well as applicable authoritative pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the statement of net assets:

##### Cash, Investments and Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 include certificates of deposits of \$3,414,056.

##### Restricted Assets

Restricted assets consist of funds set aside for regulatory requirements as detailed in Note 2.

##### Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectibility of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2007 was \$1,059.

# CARROLL COUNTY SOLID WASTE MANAGEMENT

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Inventory

Inventory that is recorded on the books at June 30, 2007, consists of recycling bags and bins which are carried at cost, principally on a first-in, first-out basis, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expensed as incurred.

#### Capital Assets

Capital Assets are stated at historical cost. Expenditures for additions and betterment are capitalized, while expenditures for maintenance and repair are charged to expenses as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, and is charged as an expense against operations. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and postclosure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. There were no qualifying assets acquired during the year ended June 30, 2007.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2007, and is treated as a current payable at that date.

# CARROLL COUNTY SOLID WASTE MANAGEMENT

## Notes to Financial Statements June 30, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Advertising Costs

The cost of advertising is expensed as incurred.

### Note 2 – Cash, Investments and Restricted Funds

Chapter 455B.310 of the Code of Iowa establishes a tonnage fee of four dollars and twenty-five cents per ton of solid waste. The landfill operator shall retain ninety-five cents of the tonnage fee to be used as described in the following paragraph and can retain an additional thirty-five cents of the tonnage fee as described below if an updated comprehensive plan has been approved for the Commission. The remainder of the tonnage fee is remitted to the Department of Natural Resources on a quarterly basis.

The Carroll County Solid Waste Management Commission has reduced its gross tonnage fee by sixty cents to three dollars and sixty-five cents. A fifty cent reduction was achieved by exceeding the commissions twenty-five percent waste reduction goal and an additional ten cent reduction is granted for exceeding the state wide average. In addition to the one dollar and thirty cent retainage allowed as described above, the commission is also allowed to retain an additional twenty-five cents for maintaining an approved updated comprehensive plan.

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or postclosure care plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. If the Commission achieves the fifty percent waste reduction goal provided in Chapter 455D.3 of the Code of Iowa, forty-five cents per ton of the tonnage fee shall be disbursed to a city, county or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Commission's approved comprehensive plan. If the fifty percent waste reduction goal has not been met, seventy cents per ton of the tonnage shall be disbursed to a city, county or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Commission's approved comprehensive plan. The Commission (public agency) fulfills these duties for the members of the 28E organization.

The fees retained may also be used for other environmental protection and environmental compliance activities, including waste reduction, recycling, or small business pollution prevention purposes.

As of June 30, 2007, approved spending had exceeded the unspent amounts retained by the Commission and restricted for the required purposes.

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Notes to Financial Statements June 30, 2007

#### Note 2 - Cash, Investments and Restricted Funds (Continued)

The Commission has established additional accounts, designated for the following purposes:

Closure and Post-Closure Care Costs	\$1,089,662
Debt Retirement and Equipment Additions	\$ 564,820
Future Landfill Expansion	\$1,285,407

The Commission's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Standards Board Statement No. 3, as amended by Statement No. 40.

# CARROLL COUNTY SOLID WASTE MANAGEMENT

## Notes to Financial Statements June 30, 2007

### Note 3 – Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	166,470	260,000	0	426,470
Capital assets being depreciated:				
Buildings	1,361,049	2,360	0	1,363,409
Equipment	2,107,499	213,527	(135,993)	2,185,033
Landfill Improvements	1,786,765	14,942	0	1,801,707
Total capital assets being depreciated	5,255,313	230,829	(135,993)	5,350,149
Less accumulated depreciation for:				
Buildings	583,247	42,611	0	625,858
Equipment	1,397,511	128,186	(135,993)	1,389,704
Landfill Improvements	720,256	303,637	0	1,023,893
Total accumulated depreciation	2,701,014	474,434	(135,993)	3,039,455
Total capital assets being depreciated, net	2,554,299	(243,605)	0	2,310,694
Total capital assets, net	2,720,769	16,395	0	2,737,164

Equipment includes \$20,606 of assets acquired under a capital lease with accumulated depreciation totaling \$9,809, including \$2,061 of depreciation for the year ended June 30, 2007. Lease amortization is included in current year depreciation. The leased equipment consists of a New Holland Tractor.

### Note 4 - Long-term Debt

The Commission was indebted to the Iowa Department of Natural Resources in connection with the expansion of the recycling center under the Landfill Alternatives Financial Assistance Program. This non-interest-bearing loan called for quarterly installments of \$10,000. As of June 30, 2006 the principal balance due was \$50,000. During the fiscal year ended June 30, 2007 the Commission made five payments, with the final debt payment being made in April 2007.

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Notes to Financial Statements June 30, 2007

#### Note 4 - Long-term Debt (Continued)

As of June 30, 2006 the Commission entered into a contract to purchase a parcel of land in where \$20,000 was deposited. The contract terms called for the final payment of \$240,000 payable in July 2006. In July 2006 the Commission entered into a loan agreement with Carroll County State Bank for the amount of \$240,000 with an interest rate of 6.45%. During January 2007 the Commission elected to make a final debt payment to Carroll County State Bank for principal and interest in the amount of \$246,795.

#### Note 5 - Closure and Postclosure Care Cost

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$474,734 for closure and \$1,226,045 for postclosure, for a total of \$1,700,779 as of June 30, 2007, and the portion of the liability that has been recognized is \$786,273. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the permitted landfill area is four years and the capacity used at June 30, 2007 is 20-50 percent depending on the particular cell. The estimated remaining life of the expected usable landfill area is forty-six years.

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Notes to Financial Statements June 30, 2007

#### Note 5 - Closure and Postclosure Care Cost (Continued)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2007, assets of \$1,089,662 are restricted for these purposes, of which \$169,831 is for closure and \$919,831 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the Association is required to demonstrate financial assurances for the unfunded costs. The association has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

#### Note 6 - Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the Commission is required to contribute 5.75 percent of annual covered payroll for years June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 was \$21,125, \$20,813 and \$20,907, respectively, equal to the required contributions. An additional payment of \$1,388 was made after IPERS determined that the Commission had under-funded a prior period.

#### Note 7 - Agreements with Outside Counties

The Commission has entered into a number of contracts with outside Counties to provide landfill and, or recycling services. The agreements expire on various dates through 2010. Generally, while landfill usage effects the life of the current space available, recycling services are being offered without significantly increasing expenses.

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Notes to Financial Statements June 30, 2007

#### Note 8 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. General liability coverage is provided through membership in the Iowa Communities Assurance Pool. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

#### Note 9 - Contract Payable

The Commission entered into a contract with Culver Construction to provide construction of compacted clay landfill cover, erosion soil layer and seeding for the closure of the east area at the Carroll County Sanitary Landfill. The contract called for substantial completion by April 1, 2007 with liquidating damages of \$500 per day after the substantial completion date. The original contract was for \$296,079 a subsequent change order in the amount of \$34,076 brought the total contract to \$330,155 and allowed an additional 21 days to complete the project. The Commission's engineer determined on the second Contractor Application for Payment that Culver Construction had incurred liquidated damages because the substantial completion date was not met. The following summary reflects how the Commission has recognized the contract at June 30, 2007:

Total Contract	330,155
Contract Payments	138,318
Liquidating Damages (75 days @ \$500/day)	<u>37,500</u>
Remaining Contract	
(Including Retainage of \$16,508)	<u><u>154,337</u></u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the  
Carroll County Solid Waste  
Management Commission

We have audited the financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Commission that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) and (B) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll County Solid Waste Management Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Carroll County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

OLSEN, MUHLBAUER & CO., L.L.P.  
Certified Public Accountants

Carroll, Iowa  
October 19, 2007

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Schedule of Findings For Year Ended June 30, 2007

#### Findings Related to the Financial Statements:

#### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

#### SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that generally one person has control over each of the following areas for the Commission.

- 1) Accounting System - record keeping for revenues and expenses, and related reporting.
- 2) Receipts - collecting, depositing, journalizing and posting.
- 3) Bank Reconciliation - preparation and maintenance of accounting records.
- 4) Payroll – changes to master list, preparation and distribution.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of office employees, segregation of duties is very difficult, however, we will have the Director review receipts, posting and payroll on test basis and bank reconciliations monthly.

Conclusion - Response accepted.

- (B) Financial Reporting - During the audit we determined that the Commission has inadequate controls to ensure timely review of significant financial statement accounts including capital asset additions and various accruals. This could result in a material misstatement to the Commission's financial statements that would not be detected on a timely basis.

Recommendation - The Commission should implement procedures to ensure that capital asset additions and material accruals are identified and included in the Commission's financial statements.

Response - In the future we will emphasize identifying these adjustments or reclassifications on a more timely basis for inclusion in the financial statements.

Conclusion - Response accepted.

#### Other Findings Related to Statutory Reporting:

- 1) Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

# CARROLL COUNTY SOLID WASTE MANAGEMENT

## Schedule of Findings For Year Ended June 30, 2007

### Other Findings Related to Statutory Reporting: (Continued)

- 2) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 3) Board Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) Deposits and Investments - The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 5) Solid Waste Fees Tonnage Retainage - During the year ended June 30, 2007, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- 6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>New Site</u>		<u>Old Site</u>
	<u>Closure</u>	<u>Postclosure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	26,103	27,106	733,064
Less: Balance of funds held in the local dedicated fund at June 30, 2006	<u>(150,000)</u>	<u>(150,000)</u>	<u>(738,473)</u>
	0	0	0
Divided by the number of years remaining in the pay-in-period (or life of cell if shorter)	: <u>4</u>	: <u>4</u>	: <u>1</u>
Required payments into the local dedicated fund for the year ended June 30, 2007	0	0	0
Balance of funds held in the local dedicated fund at June 30, 2006	<u>150,000</u>	<u>150,000</u>	<u>738,473</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2007	<u>26,103</u>	<u>27,106</u>	<u>733,064</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2007	<u>169,831</u>	<u>169,831</u>	<u>750,000</u>

## CARROLL COUNTY SOLID WASTE MANAGEMENT

### Audit Staff

This audit was performed by:

Patrick J. O'Brien, CPA, Partner

Richard D. Muhlbauer, CPA, Partner

Robert L. Muhlbauer, CPA, Staff